

FISCAL NOTE

Bill #: HB0576

Title: Eliminate canola and malting barley facility property tax exemption

Primary Sponsor: Keane, J

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$147,124
State Special Revenue	\$0	\$9,148
Net Impact on General Fund Balance:	\$0	\$147,124

- | | |
|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue (DOR)

1. This bill repeals 15-6-220, MCA, which exempts machinery and equipment of canola and malting barley facilities from property taxation.
2. Since a malting barley facility will have both personal and real property, it is assumed that the facilities personal property is liened to real property, and all property taxes will be paid in November and May of the fiscal year following assessment.
3. The bill has an applicability date of December 31, 2005. Starting in tax year 2006, or FY 2007 the machinery and equipment of canola facilities and malting barley facilities will be subject to property taxation.
4. Currently there are no canola facilities in the state, but one malting barley facility is being built in Great Falls. Department of Revenue's Industrial Property Bureau estimates the total market value of the malting barley facility's property at \$77,000,000.
5. It is estimated that machinery and equipment is approximately 66%, or \$50,820,000 (\$70 million x 66%). Machinery and equipment has a taxable value of \$1,524,600 (\$50,820,000 x 3%).

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(continued)

6. In FY 2007, the state general fund would increase by \$147,124 (\$1,524,600 X 96.5 mills for school equalization 95-mill levy and the vo-tech 1.5-mill levy).
7. In FY 2007, the university 6-mill levy state special revenue account would see its property tax revenue increased by \$9,148 (\$1,524,600 x 6 mills).
8. Department of Revenue does not anticipate any additional administrative costs associated with the proposal.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)		\$147,124
State Special Revenue (02)		\$9,148
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)		\$147,124
State Special Revenue (02)		\$9,148

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Under this bill taxing jurisdictions that have a malting barley facility within its boundaries will see an increase in their property tax revenue. The amount of increased revenue each jurisdiction will receive is based on the taxable value of the facility's machinery and equipment multiplied by the jurisdiction's mill levy.

The malting barley facility currently under construction is in Cascade County's levy district A098, which has a consolidated mill levy of 501.40 mills. If the state mill levies are subtracted out of the levy districts consolidated mill, the remaining 398.90 mills represent the total levy for local taxing jurisdictions. The total increase in property tax revenue for local taxing jurisdiction in FY 2007 is estimated to be \$608,162 (\$1,524,600 x 398.9 mills).

LONG-RANGE IMPACTS:

This bill will increase revenue to the general fund in all future fiscal years depending on the future amounts of machinery and equipment in malting barley and canola facilities in the state. The aforementioned plant in Cascade County would continue to increase general fund revenue by approximately \$150,000 each year.